The Management University of Africa

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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF ARTS IN DEVELOPMENT STUDIES

BML 206: INTRODUCTION TO STRATEGIC MANAGEMENT

DATE: 18TH JULY 2017

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

CASE STUDY: WALMART

Started in 1962 by Sam Walton, Walmart has grown to become the world's largest corporation. In 2008, the discount retailer whose mantra is "everyday low prices" had sales of $410 billion, 7,400 stores in 15 countries and 2 million employees. Some 8% of all retail sales in the United States are made at a Walmart store. Walmart is not only large; it is also very profitable. In 2008, the company earned a return on invested capital of 14.5%, better than its well- managed rivals Costco and Target, which earned 11.7% and 9.5%, respectively. Walmart has been consistently more profitable than its rivals for years, although of late its rivals have been closing the gap. Walmart's consistently superior profitability reflects a competitive advantage that is based on a number of strategies. Back in 1962, Walmart was one of the first companies to apply the self-service supermarket business model developed by grocery chains to general merchandise. Unlike its rivals such as Kmart and Target who focused on urban and suburban locations, Sam Walton's Walmart concentrated on small southern towns that were ignored by its rivals.

Walmart grew quickly by pricing lower than local retailers, often putting them out of business. By the time its rivals realized that small towns could support large discount, general merchandise stores, Walmart had already pre-empted them. These towns, which were large enough to support one discount retailer—but not two— provided a secure profit base for Walmart. The company was also an innovator in information systems, logistics, and human resource practices. These strategies resulted in higher productivity and lower costs than its rivals, which enabled the company to earn a high profit while charging low prices. Walmart led the way among' American retailers in developing and implementing sophisticated product tracking systems by using bar code technology and checkout scanners. This information technology enabled Walmart to track what was selling and adjust its inventory accordingly so that the products found in a store matched local demand. By avoiding overstocking, Walmart did not have to hold periodic sales to shift unsold inventory. Over time, Walmart linked this information system to a nationwide network of distribution centres where inventory was stored and then shipped to stores within a 250-mile radius on a daily basis. The combination of distribution centres and information centres enabled Walmart to reduce the amount of inventory it held in stores, thereby devoting more of that valuable space to selling and reducing the amount of capital it had tied up in inventory.

With regard to human resources, the tone was set by Sam Walton. He had a strong belief that employees should be respected and rewarded for helping to improve the profitability of the company. Underpinning this belief, Walton referred to employees as associates. He established a profit-sharing plan for all employees and, after the company went public in 1970, a program that allowed employees to purchase Walmart stock at a discount to its market value. Walmart was rewarded for this approach by high employee productivity, which translated into lower operating costs and higher profitability.

As Walmart grew larger, the sheer size and purchasing power of the company enabled it to drive down the prices that it paid suppliers, passing on those saving to customers in the form of lower prices, which enabled Walmart to gain more market share and hence demand even lower prices. To take the sting out of the persistent demands for lower prices, Walmart shared its sales information with suppliers on a daily basis, enabling them to gain efficiencies by configuring their own production schedules to sales at Walmart. By the 1990s, Walmart was already the largest general seller of general merchandise in America. To keep its growth going, Walmart started to diversify into the grocery business, opening 200,000-square-foot supercentre stores that sold groceries and general merchandise under one roof. Walmart also diversified into the warehouse club business with the establishment of Sam's Club. The company began expanding internationally in 1991 with its entry into Mexico.

For all its success, however, Walmart is now encountering very real limits to profitable growth. The U.S. market is approaching saturation, and growth overseas has proved more difficult than the company hoped. The company was forced to exit Germany and South Korea after losing money there and has found it tough going into several other developed nations, such as Britain. Moreover, rivals Target and Costco have continued to improve their performances and are now snapping at Walmart's heels.

REQUIRED

a) Strategies that a company's managers pursue have a major impact on its performance relative to its competitors. Explain the term "strategy" and discuss strategies Walmart pursued to be able to achieve competitive advantage in this case **(9 marks)**

b) Highlight four benefits Walmart obtained from implementing the chosen strategies **(4 marks)**

c) Despite the successes Walmart enjoyed initially, it is facing several challenges now that are eroding their profitability and market share. Discuss three of these challenges **(6 marks)**

d) Explain the term sustainable competitive advantages and evaluate four criteria for sustainable competitive advantages **(6 marks)**

QUESTION TWO

a) Define strategic management and describe strategic management process in detail **(9 marks)**

b) Explain benefits of strategic management **(6 marks)**

QUESTION THREE

a) Differentiate between intended strategies and emergent strategies **(4 marks)**

b) Discuss three components of a good mission statement **(6 marks)**

c) Distinguish between goals and objectives **(5 marks)**

QUESTION FOUR

a) Define corporate social responsibility (CSR) and describe three perspectives of CSR **(7 marks)**

b) To sustain business and also survive in the competitive environment, the strategist must understand his environment through critical and objective analysis using certain criteria. Discuss the importance of environmental analysis to an organization **(8 marks)**

QUESTION FIVE

a) Michael porter identified three generic business level strategies. Discuss **(6 marks)**

b) Corporate strategy helps to exercise the choice of direction that an organization adopts. Evaluate four strategic alternatives that you can use to address corporate strategy according to Gluek **(8 marks)**

c) Define the term value chain analysis **(1 mark)**

QUESTION SIX

a) Successful strategy formulation does not guarantee successful strategy implementation. Contrast strategy formulation and strategy implementation **(6 marks)**

b) Explain your understanding of the term strategic control and discuss strategic control process **(9 marks)**